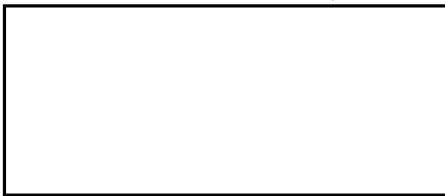


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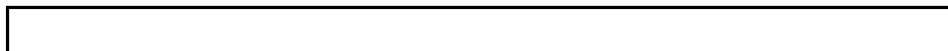
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CENTRAL INTELLIGENCE AGENCY

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DIA, OSD and DOS review(s) completed.

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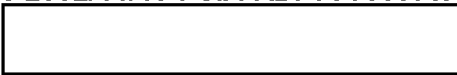
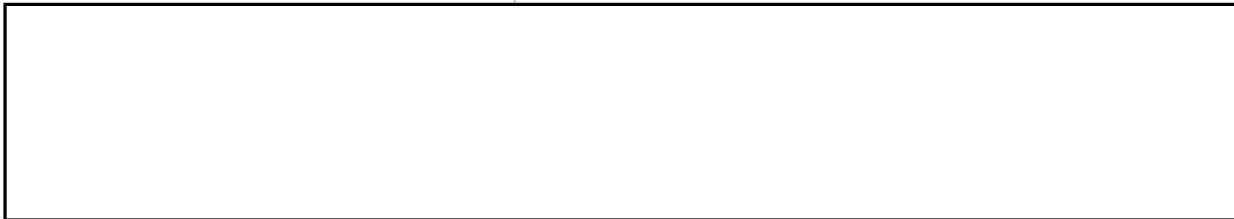


LATIN AMERICA

8. Military coup in Paraguay seen increasing possibility (page 8).

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FAR EAST

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2. Chinese Communists occupy several islands near Nanchishan:

Chinese Communist forces on 18 February began to occupy four islands near Nanchishan in an apparent effort to isolate that island outpost, according to the American

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naval attaché at Taipei. Three of the islands are located about 12 miles north, and another, Taishan, is about 42 miles south (see map, p. 5).

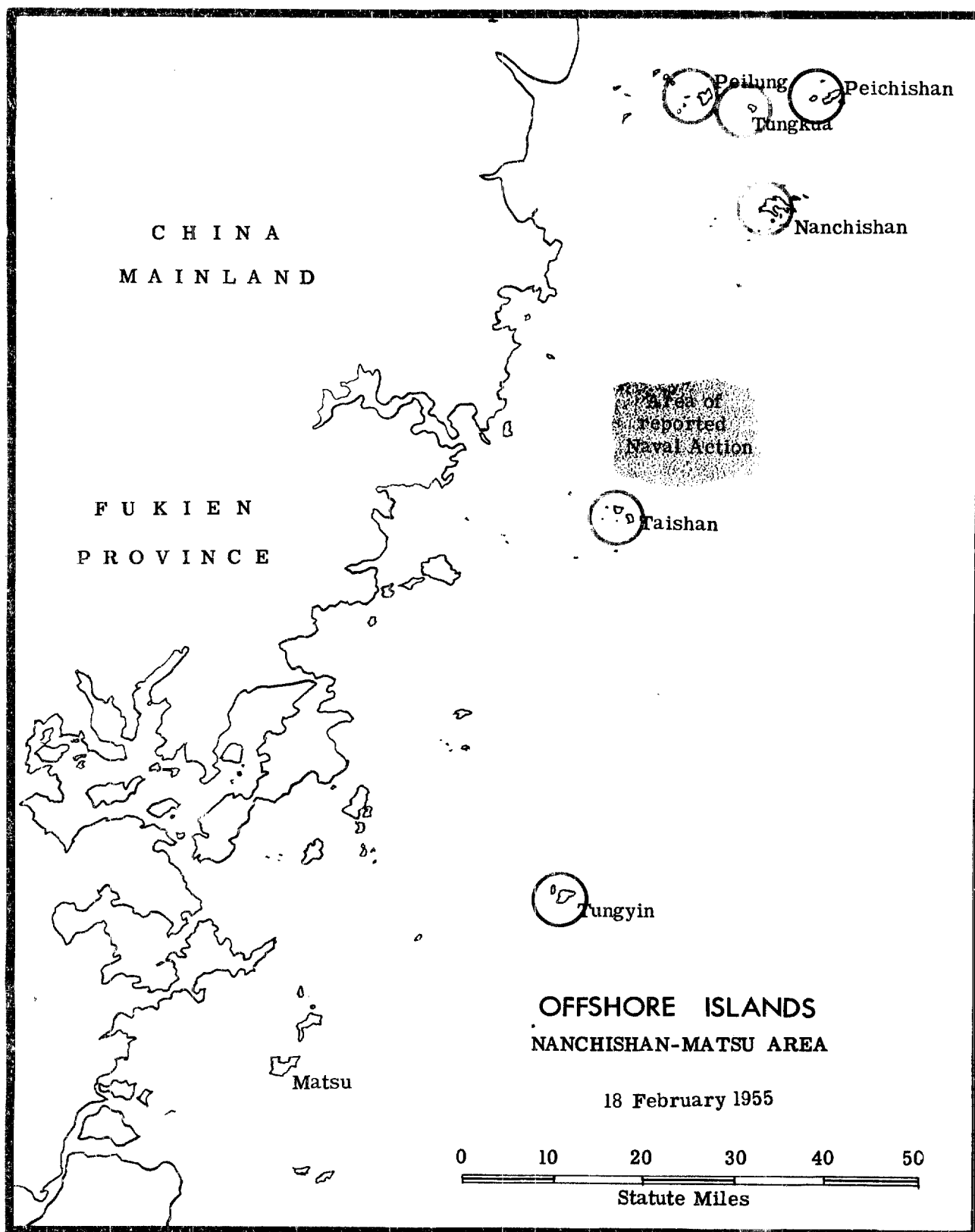
The Nationalist Defense Ministry also reports that four Chinese Communist planes bombed Tungyin Island, 40 miles south of Taishan, on 18 February. Tungyin is occupied by 64 Nationalist troops who man an air force communications and early warning station.

Comment: The Communist occupation of these islands may have touched off the naval clash reported by the Nationalists as occurring near Taishan.

General Chase, MAAG chief on Formosa, reports the Nationalists are planning to retaliate by attacking Taishan with naval and air action and an early amphibious raid to capture prisoners.

With occupation of the smaller islands north of Nanchishan, the Communists will be able to use long-range artillery against the island. Island bases south of Nanchishan could be used to launch harassing attacks on Nationalist supply ships en route from Formosa.

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SOUTHEAST ASIA

25X1A 4. Paris states intention to maintain ties with North Vietnam:

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[redacted] French Foreign Ministry spokesmen have made it "abundantly clear" to American officials in Paris that the maintenance of French economic and cultural influence in North Vietnam is an established policy objective.

The head of the Foreign Ministry's economic section states that he anticipates "hard bargaining" will be required to get Viet Minh acceptance of joint control of these interests.

The American embassy concludes, on the basis of its contacts with French officials and members of parliament, that this policy of "coexistence" with the Viet Minh has broad support.

Comment: This is the most positive delineation of policy on this issue. The French have heretofore been equivocal about accommodation with the Viet Minh.

Although the proposal for joint control of enterprises in North Vietnam embodies large concessions to the Viet Minh, it is doubtful the French firms would be permitted for long to retain any real voice in the management of the enterprises in question.

NEAR EAST - AFRICA

25X1A 5. Britain plans to replace Anglo-Iraqi treaty:

[redacted] Replacement of the Anglo-Iraqi treaty with special arrangements for meeting British military requirements in Iraq

within the framework of the planned Turkish-Iraqi pact will be discussed at Anglo-Iraqi military staff meetings beginning on 23 February. According to the British Foreign Office, Britain will join the Turkish-Iraqi pact when these meetings have been completed.

Comment: Britain has been searching for a formula by which it could retain rights at the two air bases in Iraq after the Anglo-Iraqi treaty expires in 1957. Iraq, which opposes any extension of that treaty, also favors handling the problem by some such arrangement as expansion of the Turkish-Iraqi pact.

Replacement of the Anglo-Iraqi treaty by arrangements under the Turkish-Iraqi treaty would facilitate plans for Middle East defense.

25X1A 6. Comment on Ben-Gurion's return to Israeli cabinet:



Former prime minister Ben-Gurion's return as Israeli defense minister to the cabinet on 17 February suggests that the dominant Mapai party has

closed ranks in the face of increasing tension in the area.

Although the immediate effect of these moves is to associate Ben-Gurion officially with Sharett's policy of moderation, it also is a direct warning to the Arabs, who are aware of Ben-Gurion's tough approach. The move, bringing together Mapai's two top figures, improves opportunities of securing a maximum vote in the parliamentary elections in July.

The return of Ben-Gurion will instill new confidence in large segments of the population and will induce the army to hope that Sharett's policy of moderation will be revised. In the long run, Ben-Gurion's predilection for action and the continuing pressure of military leaders on him are likely to result in a tougher military policy toward the Arab states.

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LATIN AMERICA

25X1A 8. Military coup in Paraguay seen increasing possibility:

The political situation in Paraguay has deteriorated seriously since 13 February as a result of growing discontent among military and government leaders,

The military leaders seek to oust President Stroessner if he does not dismiss two controversial Colorado Party leaders--Central Bank president Epifanio Mendez Fleitas and Interior Minister Romero Pereira. A group believed to be anti-Mendez made an unsuccessful attempt on 14 February to seize the air force headquarters near Asuncion.

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Comment: A showdown over Mendez Fleitas appears imminent. General Stroessner, who has not made his position clear, is under attack from both sides in the controversy. There have been three attempts against the government since last November.

Mendez' strongest challengers appear to be rightist military elements and others who charge that he is pro-Communist, too pro-Argentine, and stands in the way of party unity. Although Mendez denies any Communist affinity, the Communists actively back him. [REDACTED]

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